

BEFORE

THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 92-597-C - ORDER NO. 93-285

MARCH 26, 1993

IN RE: Application of Strategic Alliances, Inc.)
for a Certificate of Public Convenience) ORDER
and Necessity to Operate as a Reseller) APPROVING
of Interexchange Telecommunications) CERTIFICATE
Services, Including Operator Services,)
within the State of South Carolina.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Strategic Alliances, Inc. (Strategic or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. Strategic's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1992) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed Strategic to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas one time. The purpose of the Notice of Filing was to inform interested parties of Strategic's Application and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Strategic complied with this instruction and provided the

Commission with proof of publication of the Notice of Filing. Petitions to Intervene were filed by Southern Bell Telephone and Telegraph Company (Southern Bell) and the South Carolina Department of Consumer Affairs (the Consumer Advocate).

A hearing was commenced on March 16, 1993, at 11:00 a.m., in the Commission's Hearing Room. The Honorable Henry G. Yonce, Chairman, presided. J. Thornton Kirby, Esquire, appeared on behalf of Strategic. Caroline N. Watson, Esquire, represented Southern Bell; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff.

At the beginning of the hearing Southern Bell announced that it had entered into a Stipulation with Strategic. Hearing Exhibit #1. The terms of the Stipulation are as follows:

- (1) Any grant of authority should clearly be for interLATA services only. All intraLATA traffic will be blocked, screened, or otherwise handed off to the LEC.
- (2) If any intraLATA calls are "inadvertently" completed by the carrier, the carrier should reimburse the LEC pursuant to the Commission's Order in PSC Docket No. 86-187-C. The definition of such inadvertent completion is contained in such Order.
- (3) All operator services should be only for interLATA calls and any "0+" or "0-" intraLATA calls should be handed off to the LEC.
- (4) Nothing in 1, 2, or 3 above shall prohibit Strategic Alliances, Inc., from offering any services authorized for resale by tariffs of facility based carriers approved by the Commission.

After introducing the Stipulation into evidence as Hearing

Exhibit #1, Southern Bell withdrew from further participation in the proceeding.

Strategic presented the testimony of Erin Ostler in support of its Application. Ms. Ostler explained Strategic's request for certification to operate as a reseller of interexchange telecommunications services in South Carolina. Ms. Ostler explained that Strategic wishes to resell the toll services of American Telephone and Telegraph (AT&T), MCI, Allnet and WilTel, and that Strategic does not propose to provide intraLATA service. Ms. Ostler stated that Strategic will be responsible for billing, trouble reporting, and customer services. Ms. Ostler outlined Strategic's financial qualifications, background, and technical capabilities. According to Ms. Ostler's testimony, Strategic will comply with all Rules and Regulations that the Commission may lawfully impose.

After full consideration of the applicable law and of the evidence presented by Strategic, the Consumer Advocate, Southern Bell, and the Commission Staff, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Strategic is incorporated under the laws of the State of Minnesota, and is licensed to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. Strategic operates as a non-facilities based reseller of interexchange services and wishes to do so on an interLATA basis in South Carolina.

3. Strategic has the experience, capability, and financial resources to provide the services as described in its Application.

4. Southern Bell and other local exchange carriers (LECs) should be compensated for any unauthorized intraLATA calls completed through Strategic's service arrangements.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Strategic to provide intrastate, interLATA service through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Services (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for Strategic for its resale services which includes only maximum rate levels for each tariff charge. For intrastate interLATA "0+" collect and calling card calls, Strategic may not impose a fixed operator service charge more than the intrastate charges then currently approved for AT&T Communications, and for the usage portion of the call, Strategic may not charge more than the intrastate rates charged by AT&T Communications at the time such call is completed. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in

Docket No. 84-10-C (August 2, 1984).

3. Strategic shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. Strategic shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of Strategic's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1992).

4. Strategic shall file its revised tariff and an accompanying price list to reflect the Commission's findings within thirty (30) days of the date of this Order. The revised tariff shall include the maximum rate approved for AT&T and a returned check charge shall not exceed the amount allowed by South Carolina Law. Further, the revised tariff shall be filed with the Commission in a loose-leaf binder.

5. Strategic should be allowed to incorporate in its tariff a surcharge for operator-assisted and calling card calls not to exceed \$1.00 for calls originated at hotels and motels and at customer-owned pay telephones only if the property owners have not added a surcharge already. That is, the Company may not impose an additional surcharge to calls originating at hotels and motels and customer-owned pay telephones if such a surcharge has already been imposed by the property owners. If such a charge is applied,

however, it should be paid in its entirety to the customer by Strategic. Further, if the surcharge is applied, the user should be notified of imposition of the surcharge. This notification should be included in the information piece identifying the Company as the operator service provider for pay telephones and guest phones.

6. Strategic is required to provide "tent" cards to hotels and motels for placement next to guest telephones identifying it as the provider of operator service for intrastate interLATA distance calls. Strategic is required to brand all calls identifying itself as the carrier for the motel or hotel.

7. Strategic is subject to access charges pursuant to Commission Order No. 96-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

8. With regard to Strategic's resale of service, an end user should be able to access another interexchange carrier or operator service provider if they so desire.

9. Strategic shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Strategic changes underlying carriers, it shall notify the Commission in writing.

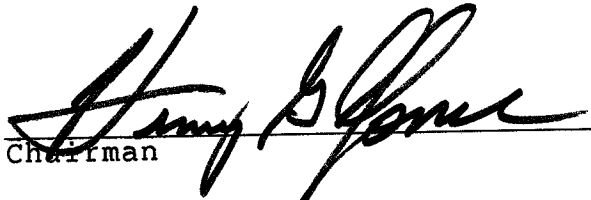
10. All direct dialed intrastate intraLATA calls must be completed over intraLATA WATS, MTS, private and foreign exchange lines or any other service of authorized intraLATA facilities based carriers approved for resale on an intraLATA basis. Any intraLATA

calls not completed in this manner will be considered unauthorized traffic and the Company will be required to compensate the local exchange companies for the unauthorized calls it carries pursuant to Commission Order No. 86-793 in Docket No. 86-187-C.

11. Strategic shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

12. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION, MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER DEPOSITS.

- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3 ABOVE).